



UNITED SISCOE MINES LIMITED

44TH ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31

1972



*Cover photo taken during the drilling of GKSC
Power Ranches Inc. #1 well showing the well un-
loading steam and hot water through the blooie line.*

UNITED SISCOE MINES LIMITED

DIRECTORS

W. J. ADAMS	Edmonton, Alberta
J. G. AHERN, Q.C.	Montreal, Quebec
H. DAHL-JENSEN	Unionville, Ontario
R. E. FASKEN	Mississauga, Ontario
H. REIMER	Oakville, Ontario
G. T. SMITH	Toronto, Ontario
R. M. SMITH	Oakville, Ontario

OFFICERS

R. E. FASKEN	Chairman
G. T. SMITH	President
R. M. SMITH	Vice-President, Operations
C. M. MASTERMAN	Secretary
K. E. ELRICK	Treasurer

CORPORATE DATA

Incorporated	May 23rd, 1923 Under the laws of the Province of Quebec
Head Office	Suite 4111, Stock Exchange Tower, Place Victoria, Montreal 115, Quebec
Executive Office	Suite 3914, Royal Trust Tower, Toronto-Dominion Centre, Toronto 1, Ontario
Transfer Agents	Canada Permanent Trust Company, Montreal and Toronto Bankers Trust Company New York

AUDITORS

PEAT, MARWICK, MITCHELL & Co.	Toronto, Ontario
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GENERAL COUNSEL

JOHN G. AHERN, Q.C.	Montreal, Quebec
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MINE MANAGER

E. A. PEARSON, P.Eng.	Haileybury, Ontario
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ANNUAL AND SPECIAL GENERAL MEETING

June 28th, 1973 — 11:00 A.M., The Prince of Wales Room,
The Windsor Hotel, Montreal, Quebec

DIRECTORS' REPORT TO THE SHAREHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 1972

Your Directors are pleased to present the 44th Annual Report of the Company for the year ended December 31st, 1972.

THE YEAR IN SUMMARY

1972 was a year of major transition and development for the Company. First and foremost your Company entered into geothermal energy through its acquisition of a controlling interest in Geothermal-Kinetics Systems Corporation, a company holding geothermal prospects in California, Utah and Arizona and with well developed exploration techniques in the geothermal energy field. In addition, the necessary services for the Company's industrial real estate development were completed and sales of this land have now been substantially completed.

The situation with respect to Chesbar Iron Powder, which created a significant loss for the Company in 1971, has improved and it now appears that not only will the secured indebtedness due to the Company be recovered but that the value of this shareholding could be substantial. The Company's other investments, including its shareholdings of Camflo Mines Limited, increased in value and as a result of this, together with additional equity financing which was undertaken in 1973, the Company has now a strong financial position.

Regretfully, the year saw the cessation of operations at the silver mine in Gowganda after some 65 years of production. Ore reserves were exhausted and in spite of vigorous exploration efforts, no additional ore was encountered. In addition, development of the Company's residential property in Mississauga was delayed because of the failure to obtain the necessary governmental approvals.

FINANCIAL

Net income was \$85,724 or 2 cents per share before taking into account extraordinary items which resulted in a net income of \$265,015 or 7 cents per share. This compared with a loss of \$3,027,563 or \$1.04 per share in the 1971 fiscal year. There were no extraordinary items in 1971. Main sources of income were the Company's silver mine, which in spite of its closure, produced an operating profit of \$573,513, oil and gas income of \$86,645, real estate income of \$396,354 and other miscellaneous income of \$342,484.

INVESTMENTS

The Company has followed a policy of carrying on its books the investment in shares of other companies at the lower of cost and market value. In any accounting period to the extent that the market value of any of the shares at the end of the period is lower than the lesser of the market value at the beginning of the period or the original cost, this differential would be included in the calculation of net gain or loss on investments appearing in the statement of income. The reverse would be true in such period if the market value of any of the shares is higher at the end of the period than at the beginning of the period but the differential that is taken into account is limited to the extent of the increase in value up to the original cost of the shares. In the event the market value increases over cost, this excess is only taken into income on the sale of such shares.

Geothermal-Kinetics Systems Corporation (GKSC)

During 1972 your Company, through its controlled affiliate, Geothermal-Kinetics, joined the select group now actively participating in geothermal exploration and development in the United States. Geothermal is a source of energy that has been proven economically viable and highly competitive with fossil and nuclear sources in providing power for generating electricity.

Geothermal energy enjoys many unique advantages, not the least of which is that it is clean — no associated sulphur dioxides, nitrous oxides or radioactive wastes — and it is directly usable for generating electricity with existing technology.

Complementing its pollution-free and operationally safe characteristics, geothermal energy is a substantially lower cost fuel in comparison with coal, gas, oil and nuclear. From the standpoint of capital costs a geothermal generating plant can be built for less than half the cost per kilowatt than either nuclear or fossil fuel plants.

Your Company's previous communications described many aspects of geothermal energy and the events that resulted in the acquisition of a majority interest in Geothermal-Kinetics. Our holding in GKSC now amounts to 1,727,250 shares or approximately 57% of the issued and outstanding capital, plus options to purchase an additional 500,000 shares, namely 300,000 shares at \$3.00 per share and 200,000 shares at \$10.00 per share.

Of the 1,727,250 shares of GKSC Siscoe now holds, 331,812 shares will be purchased by Chesbar Resources Inc. at Siscoe's cost plus interest. In addition, Chesbar has the right to participate as to a 25% interest on further outstanding options of GKSC treasury shares held by Siscoe. On the basis of the recent Chesbar Rights Offering, Siscoe currently holds 54% of the outstanding Chesbar shares.

In terms of its geothermal exploration and leasing activities, GKSC now appears to be in the forefront with other companies, including even the majors like Union Oil, Getty, Standard and others.

New Leasing

To update previous information, GKSC has now completed leasing of some 20,000 acres, known as the Casa Grande Project, in Arizona. This is in addition to the 7,000 acre leaseholding near Chandler, Maricopa County, and on which the GKSC Power Ranches Inc. No. One Well discovered a geothermal reservoir.

In co-operation with Utah Power & Light Co., leasing has been completed on tracts covering some 30,000 acres. Three excellent geothermal prospects have been developed on this leaseholding and an initial geothermal test well is scheduled to commence drilling during the last week of June or the first week in July, 1973.

Leasing in both Arizona and Utah followed the completion of geophysical and geothermal exploration including deep resistivity surveys. Basic exploration has been undertaken in the States of New Mexico and Oregon and several interesting geothermal targets are being developed.

At the present time, GKSC is active in seven States and further leasing of geothermal prospect areas can be anticipated.

Drilling Activities

In connection with GKSC Power Ranches Inc. No. One Well which discovered a highly permeable geothermal reservoir extending from the approximate depth of 5,400 feet to below 9,000 feet, a smaller rig is now being moved in to permit the completion of perforating which is a prerequisite to commercial testing.

The step-out development well approximately 1,320 feet from the geothermal discovery well is now drilling around 3,000 feet and is expected to reach its objective depth at 7,000 feet about mid-June, 1973.

In The Geysers Field, Sonoma County, California, where GKSC has a 408-acre leaseholding adjoining the geothermal steam producing properties of Union Oil-Magma Power-Thermal Power, GKSC expects to commence drilling of its first well in this field during the month of July, 1973.

Competitive Position of GKSC

An item of significance from the standpoint of the leasing activities of GKSC is that at a recent geothermal conference held in Palm Springs, California, a representative of the U.S. Interior Department indicated there would be further delays before the extensive federal-owned geothermal lands would be put up for competitive bidding and leasing under the provision of The Geothermal Steam Act of 1970.

Federal lands are sub-divided for the purpose of leasing into two categories, KGRA (Known Geothermal Resource Area) and AVP (Areas Valuable Prospectively). When available, the KGRA lands are expected to attract competitive bids of about \$15.00 per acre and AVP lands will be leased

at \$1.00 per acre. Under existing regulations, individual companies are limited to a total of 20,480 acres of federal-owned land in any single State.

This announcement has emphasized the importance of the leasing activities of GKSC covering privately owned lands and, where applicable, State lands. The fact that GKSC has been able to accumulate extremely large holdings of good geothermal ground gives it a significant lead over other companies which have been waiting to bid on the KGRA's held by the Federal Government.

It is important to note that GKSC carries out extensive and thorough exploration of geothermal prospects prior to leasing. One of the most significant conclusions arising from the GKSC Power Ranches Inc. No. One Well is that it has demonstrated an important confirmation of the geothermal exploration technique developed and implemented by the field crews and technical staff by accurately pin-pointing a geothermal reservoir in an area never classified as KGRA.

Another important aspect is that GKSC has experienced excellent working relationships with major utility companies in Arizona, Utah and New Mexico.

Further details of GKSC's operations will be presented by Mr. Ward H. Austin Jr., Vice-President of Exploration for GKSC, at the forthcoming annual meeting.

Outlook for Geothermal Energy

In the context of the ever-increasing and urgent demand for energy, rapidly rising costs for conventional fossil fuel electric generating plants, and the growing pressures arising from environmental considerations, geothermal energy is commanding attention in North America.

The concept of utilizing geothermal energy in the United States on a commercial basis is comparatively new, emerging from the initial undertaking by Pacific Gas and Electric when, in 1960, it brought its first electric generating station on stream in The Geysers Field of California.

Pacific Gas and Electric Co.'s original units 1 and 2 were essentially experimental plants with a combined capacity of 26,000 kilowatts installed at a cost of \$3.8 million. The signing in 1970 of a 50-year contract by Pacific Gas and Electric for the purchase of geothermal steam from the consortium of Union Oil-Magma Power-Thermal Power was the major turning point in the development of geothermal energy in the United States.

At the present time, P G & E has eight geothermal-fueled generating units in operation with a combined capacity of 302,000 kilowatts; two further units are scheduled to go on stream this year and additional annual increments of 110,000 KW's are scheduled for several years ahead.

A recent study sponsored by the National Science Foundation for which Walter J. Hickel acted as Chairman, estimated that the U.S. geothermal resources have the potential of providing electric generating capacity ranging from 750,000 KW's in 1975 to 132,000 megawatts in 1985, and 395,000 megawatts in 2000. This compares with a current total U.S. generating capacity of about 350,000 megawatts.

Chesbar Resources Inc.

As shareholders are aware, the Company as of December 31, 1971 wrote off the value of its shareholdings in Chesbar Iron Powder Limited (now Chesbar Resources Inc.). Since that time significant events have occurred concerning the status of Chesbar, and although the value of the Company's holdings in Chesbar have not been altered on the Company's balance sheet Chesbar has now settled its obligations to all creditors and trading in Chesbar's shares has been resumed on the Canadian Stock Exchange.

On the basis of the above settlements, United Siscoe Mines Limited then held 936,327 shares or 45.8% of the issued capital of Chesbar. A Rights Offering (expiring May 28, 1973) has been made to all Chesbar shareholders (except U.S. residents). Siscoe has the right to purchase any shares not taken up under the rights offering and has agreed to purchase from Chesbar sufficient additional shares to ensure that a minimum of 300,000 shares will be taken down thus, Chesbar will receive a minimum of \$600,000 through the Rights Offering. The proceeds received by Chesbar will be used to purchase from Siscoe 331,812 shares of Geothermal-Kinetics Systems Corporation, retire current bank indebtedness and amounts owing to Hydro-Quebec, with the remainder to be retained as necessary working capital.

Chesbar holds outstanding options from Siscoe to acquire at Siscoe's cost 25% of additional treasury shares of GKSC which Siscoe may take down. When Siscoe exercises all its options on GKSC and Chesbar, in turn, purchases its 25% option, Siscoe would hold 1,770,438 shares of GKSC or 50.1%

of the then issued capital and Chesbar would hold 456,812 shares of GKSC or 12.9% of the then issued capital.

Siscoe expects that it will purchase sufficient shares on the basis of its agreement with respect to the Rights Offering to increase its direct ownership of Chesbar to above 50% and further, holds outstanding warrants and options which, if all exercised, would result in your company maintaining a major controlling interest.

In addition to the above developments, Siscoe holds a \$1,200,000 debenture which is secured as a first charge on all assets of Chesbar and at the present time, based on developments related to these assets, there will be available sufficient funds for their retirement. One of Chesbar's assets, the Niagara Falls pelletizing-reduction plant, has been leased with an option to purchase to Allis-Chalmers for the period June 1, 1972 to December 31, 1975 with a provision for a further one year renewal up to December 31, 1976. If Allis-Chalmers elects to purchase the plant and property and equipment, the purchase price is \$1,700,000 less accumulated rentals paid to that date.

Chesbar is maintaining its open pit and concentrator facilities intact at Miquelon, Quebec in the hope that recent indicated development improvements in its direct reduction field may in the future justify re-evaluation of the economics of production from this deposit.

Camflo Mines Limited

The Company in 1973 increased its holding in Camflo Mines Limited to 500,000 shares or 14.7% of the issued capital. Camflo, during the past year, based on the significant increase in the price of gold for which it received an average of \$59.77 per ounce for the year, reported net earnings of 63¢ per share. Camflo reported first quarter net earnings of 29¢ per share and, based on current monetary indications and further recent significant increases in the price of gold, should record very marked improvements in earnings for the remainder of the year.

Presently, excluding a new diorite ore zone which to date has given encouraging indications, Camflo reports ore reserves above the 2400 foot level of approximately 2,250,000 tons grading 0.231 ounces of gold per ton (recovered grade) equal to approximately 6.5 years' reserves. In addition to the potential reserves in the new diorite ore zone, there remain good possibilities of additional reserves below the 2400 foot level.

The status of Camflo is such that with its relatively low operating cost per ton of ore milled, coupled with the ore reserve potential and indications of buoyant gold prices for the future, the shareholding is a major valuable asset of the company's investment portfolio.

MINING DIVISION

Gowganda Silver Mining Operation

Production

Mine production terminated in October with a total of 788,695 ounces for the year. Closure of the mine was finally necessitated in the last quarter when all known ore had been mined and the exploration results from underground drilling of all potential favourable areas produced negative results. Unfortunately, all mines eventually run out of ore, at which time operations must cease and the employees and community which have been sustained by such operations are necessarily inconvenienced. The company gratefully acknowledges the services of all mine employees over the years who have contributed to the success of the operation. The assistance of the Federal Department of Manpower and Immigration and representatives of the United Steelworkers of America, is also noted. A joint committee was formed which materially assisted employees in finding suitable other employment, as well as assistance with their relocation into these new positions.

It is interesting to record that since Siscoe took over the mine in 1946 it has produced over 25 million ounces of silver and prior thereto, former operators and lessees produced some 19 million ounces of silver. The mine produced each year of its 65 year life and this is a feature that is noteworthy in the annals of the Canadian Mining Industry.

All surface buildings and equipment have been or are in the process of disposal as well as certain Company houses located in Gowganda, Ontario. Final operations at the mine property will be completed during the next few months at which time existing mine shaft openings will be sealed.

EXPLORATION

Honduras, Central America

Overall exploration results during the year were on the whole, discouraging on the basis of providing conclusive parameters establishing the possible economic viability of any of the prospects. Those prospects on which drilling, trenching, and some adit work were completed indicated that although mineralization was of ore grade potential there was insufficient tonnage to justify a sound, economic operation. As of the end of 1972 all active exploration work being carried out by the Company in Honduras has been suspended, however, the company continues to maintain at little to no cost, exploration rights on eight different permits.

Recently, an agreement was concluded with a large Japanese company whereby that company, through stage exploration expenditures of approximately \$500,000 could earn a 70% interest in one exploration permit covering a copper-molybdenum prospect.

If results justify subsequent commercial development of this property it would be financed on the basis of 30% equity and 70% debt. The agreement calls for Siscoe to be responsible for 30% of the equity portion while the Japanese Company would provide 70% of the equity portion and arrange 100% of the debt financing required.

The Company will continue its efforts to interest other large companies in further exploration of the various other permits.

Cordex Syndicate

The Company continued its participation in this Syndicate, providing 25% of the exploration expenditures for a net 20% interest in all prospects or mining properties acquired. Exploration efforts of the Syndicate were concentrated primarily on investigations of precious metal prospects. The Syndicate's yearly budget amounted to slightly over \$300,000 and this budget will again be expended during the present year. The Pinson Gold prospect in Northern Nevada which has been preliminary tested by diamond drilling was, during the year, optioned to an American company, which option must be exercised by July 1st, 1973. If this option is taken up, the Cordex Syndicate will receive a cash payment of \$200,000 and a commitment by the Optionee to bring the property into production under a profit-sharing arrangement.

Another low-grade gold prospect has been obtained near Preble Mountain, Nevada. Drilling is continuing on this prospect in an effort to establish sufficient tonnage of gold ore.

The work carried out by Oglebay-Norton on a copper prospect located on Kasaan Peninsula, Prince of Wales Island near Ketchikan, Alaska, was disappointing and at the present time no further work is planned in this area.

Overall, exploration efforts will continue during the year primarily oriented to obtaining both base and precious metal prospects for subsequent exploration and development.

Copper Belt Syndicate

During the year the Copper Belt Syndicate exploration activities were carried out primarily in the Smithers and Clearwater areas of British Columbia. Efforts were concentrated on areas favourable for porphyry-copper-molybdenum deposits.

A number of claim blocks were acquired in these areas and percussion drilling carried out thereon. Results of the percussion drilling were, on the whole, not encouraging and thus at the present time do not justify additional exploration drilling expenditures. Further prospective-type work is planned for some of this area during the coming field season.

An arrangement was concluded with Joy Mining Limited covering exploration work on their property located near Princeton in southern British Columbia. This work will consist of additional detailed geological mapping in conjunction with exploratory drilling.

Siscoe Island Gold Property

In light of recent significant increases in the price of gold to over \$100 per ounce the Company has decided to re-evaluate some potential gold-bearing areas of the original Siscoe Island gold property. Sufficient previous exploration work has proven that there are no possibilities of downward extension

of the main ore zones however, there are two areas on the 1600 acre property that merit further detailed assessment.

The program which will be carried out involves, initially, detailed geophysical work followed by diamond drilling.

OIL AND GAS DIVISION

Oil and Gas income was down approximately 14% for the year compared to 1971. This income was obtained primarily through the Company's Alberta subsidiary, Siscalta Oils Limited. Nothing of major economic significance developed on the Company's holding in Eastern Canada in which the Company has a net 10% interest. However, the Company continues to maintain its interest there, on the basis of future developments. During the year the Company took a major interest in a gas prospect located in southeastern Alberta purchasing and earning a 40% working interest. The property covers 23 sections or 14,720 acres of now proven shallow Milk River gas reserves.

A 40 well development program is currently under way and should be completed by the Fall of this year. With a gas price of 25¢ per 1,000 cubic feet the Company expects an annualized rate of income from this project of approximately \$200,000 net, after operating costs and royalty payments. In addition, through further purchase and farm-ins a further ten sections of land are being acquired, some of which will include deeper rights down to the Mississippi. With the potential for gas in several zones below the Milk River this project could have a significant effect on the Company's oil and gas income during the next few years. The Company plans to continue to evaluate participation in various gas plays in an effort to increase overall cash flow from same.

REAL ESTATE DIVISION

1. Mississauga: Industrial Development

Net real estate income of \$396,354 was earned during the year. This industrial real estate project has now been completely sold and will produce further income during 1973. Overall, average prices received for lots were in excess of original projections and thus, total profit will exceed previous estimates.

2. Mississauga: Residential Development

Development of this acreage has to date proceeded considerably slower than anticipated, primarily due to delays incurred in obtaining government approval for same. Most of the obstacles now appear to be resolved and the Company is hopeful that within the next few months all necessary hurdles will have been cleared and the land in a position for subsequent development. On the basis of the current demand for residential land within this area this project continues to be a major asset of the Company and will contribute significantly in the future to earnings.

ACKNOWLEDGMENTS

The Board of Directors gratefully acknowledges the contribution of all former mine staff and employees and wishes them every success in the future. The interest and continued support of the shareholders in the activities of the Company is also appreciated.

On behalf of the Board,

R. E. FASKEN,
Chairman.

G. T. SMITH,
President.

Dated at Toronto, Ontario,
May 31, 1973.

REPORT OF THE MINE MANAGER:

TO THE CHAIRMAN OF THE BOARD, PRESIDENT AND DIRECTORS

The following report details the mining operations of Siscoe Metals of Ontario, Limited, in the O'Brien-Gowganda Area, Ontario for the period January 1st, 1972 to closure of mine in October 1972.

PRODUCTION

Silver Concentrates Produced

Table Concentrates, dry tons	222 at 2,967 ozs. per ton
Flotation Concentrates, dry tons	469 at 277 ozs. per ton
Total fine ounces recovered—788,695	

PRODUCTION OVER PERIOD 1946-1972

Year	Tons Ore Milled	Gross Production Silver Ounces
1946 - 1967	940,304	21,277,944
1968	47,544	978,711
1969	41,808	799,988
1970	46,710	674,522
1971	42,002	981,629
1972	29,495	788,695
	1,147,863	25,501,489

EXPLORATION AND DEVELOPMENT

Comparative Summary of Exploration and Development

	1972	1971
Diamond Drilling — Underground	19,944 ft.	28,144 ft.
Diamond Drilling — Surface	Nil ft.	Nil ft.
Drifting and Cross-cutting	1,513 ft.	3,594 ft.
Raising	634 ft.	1,283 ft.

Following is a brief resume of the exploration and development carried out at the Main Mine and leased properties, during the year:

MAIN MINE (Siscoe)

Most of the exploration and development activities were centered in and about the "33" vein system on the 350, 525 and 650 foot levels.

On the 350 foot level a drift was driven along the old main vein structure, from where it meets with "33" vein, to about 325 feet north. A diamond drill station was established and a drilling program aimed at exploring a large sector of ground lying between this point and the formerly productive Milleret and No. 7 shaft areas, was initiated. A series of long holes, covering the quadrant from west to north were drilled. Numerous veins, some containing low values in silver were cut, but on the whole the drilling failed to provide sufficient encouragement to subject the area to a costly program of lateral exploration in search of new ore.

CAPITAL SHAFT AREA (McIntyre Lease)

Nearly all of the exploration and development was carried out in the vicinity of the formerly productive "46" and "47" veins in the southeast sector of the property. To gain a shorter and better access way to the area, a cross-cut and inclined ramp, connecting the Siscoe 1000 foot level with the Capitol 975 foot sub-level was driven. A lateral drive to extend the 975 level workings east-ward to the "47" vein which hitherto had not been developed at this horizon, was started. Meanwhile the immediate area was subjected to a program of diamond drilling. A number of ore grade intersections were obtained but when later exposed by lateral or other development, the indicated ore shoots proved to be of very limited dimensions and in all they yielded only a few hundred tons of medium to low grade ore. Extension of the formerly mined "46" and "47" veins provided the bulk of the year's production from this area.

A series of long holes drilled to the east and south of the "47" vein failed to provide any encouragement for continued exploration.

CASTLE No. 3 SHAFT (McIntyre Lease)

Underground operations at this property were stopped in April after all known ore had been mined out, hoisted and stock piled on surface for later processing in the Siscoe mill.

The pumps were removed and the underground workings allowed to flood.

MINING

Source of Ore Milled

Property	1972			1971		
	Tons	Ozs./Ton Recovered	Total Ozs.	Tons	Ozs./Ton Recovered	Total Ozs.
Siscoe & McIntyre	29,495	26.74	788,695	42,002	23.37	981,629
Approximate distribution of production by properties:						
Siscoe Main Mine				73%		
Capitol Shaft Area				25%		
Castle No. 3 Shaft				2%		

MILLING

	1972	1971
Ore Treated (Dry Tons)	29,495	42,002
Calculated Heads (Ozs. per Ton)	27.36	23.92
Mill Residues (Ozs. per Ton)	0.62	0.55
Percentage Recovery	97.96	97.71
Total Ozs. Recovered	788,695	981,629

OPERATING COSTS

	1972		1971	
	Per Ton	Per Oz.	Per Ton	Per Oz.
Smelting and Marketing	\$ 4.42	\$ 0.165	\$ 3.26	\$ 0.139
Exploration and Development	5.02	0.188	5.95	0.257
Mining	11.11	0.415	11.48	0.491
Milling	4.81	0.180	3.95	0.169
Overhead	3.51	0.132	3.32	0.140
Total Mine Operating Cost	\$ 28.87	\$ 1.080	\$ 27.96	\$ 1.196

CAPITAL EXPENDITURES

There were no capital expenditures during the year.

REMARKS AND ACKNOWLEDGMENTS

As the year progressed it became increasingly apparent that unless substantial new ore shoots were found, the mine was facing closure in the near future.

A vigorous exploration program carried on throughout the year was unsuccessful in locating anything but a few very minor and low grade ore shoots.

Underground operations ceased on October 31st, when all known ore had been mined and milled.

Dating back to 1907, the mine is believed to be the oldest continuously operating straight silver producer in Ontario. It was acquired by Siscoe Metals in 1945 and since that time has yielded 25.5 million ounces of silver. Between 18 and 19 million ounces were extracted by former operators.

The efficient work and loyalty of all former employees has added much to the success of the operation over the years.

The support and guidance of the Chairman, the President and the Board of Directors is gratefully acknowledged.

Respectfully submitted,

E. A. PEARSON, P.Eng.,
Mine Manager.

O'Brien-Gowganda, Ontario,
May 4th, 1973.

UNITED SISCOE MINES LIMITED

CONSOLIDATED FIVE-YEAR COMPARATIVE STATEMENT

	1972	1971	1970	1969	1968
Mining Income before Write-offs	\$ 615,462	\$ 267,543	(271,793)	369,278	1,084,245
Depreciation and Amortization of Preproduction	\$ 41,949	\$ 77,489	378,845	87,738	179,375
Net Oil and Gas Income before Write-offs	\$ 91,337	\$ 104,638	112,645	115,974	78,084
Depreciation and Depletion	\$ 4,692	\$ 5,005	5,117	6,272	3,428
Real Estate Income	\$ 396,354	—	—	—	—
Investment, gain, (loss)	\$ 94,160	\$(3,056,971)	1,709,317	1,607,797	472,177
Other Income	\$ 157,310	\$ 119,330	375,400	277,732	220,853
Other Expense	\$ 877,258	\$ 520,609	634,415	710,894	780,542
Provision for Taxes on Income	\$ 345,000	\$ (141,000)	(33,000)	25,000	143,000
Extraordinary items	\$ 179,291	—	—	—	—
Net Income (loss)	\$ 265,015	\$(3,027,513)	940,192	1,540,877	749,014
Dividends Per Share (note)	—	5.0¢	14.0¢	17.0¢	14.0¢
Shares Outstanding (note)	4,300,000	3,500,000	2,500,000	2,500,000	2,500,000
Number of Registered Shareholders	4,670	7,877	8,455	8,381	8,374

Note: After giving retroactive effect to the consolidation of share capital made on June 21, 1971 on the basis of 1 new share for each 2 old shares.

FINANCIAL STATEMENTS

Consolidated Balance Sheet

Consolidated Statement of Income

Consolidated Statement of
Retained Earnings

Consolidated Statement of Source
and Application of Funds

Notes to Consolidated Financial
Statements

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1972

With comparative figures for 1971

ASSETS

Current assets:

Cash and short-term deposits (note 5)	
Accounts receivable	
Silver concentrates at mine, in transit and at refineries (note 2)	
Inventories of supplies, at estimated realizable value (note 3)	
Mine fixed assets, at estimated realizable value (note 3)	
Mortgage receivable — current	
Prepaid expenses	
Total current assets	
Mortgage receivable, net of current portion above	
Amounts due from sales of land	
Investment in other companies (notes 4, 5 and 11):	
Shares, at lower of cost and quoted market (cost 1972 — \$4,457,460; 1971 — \$3,926,111)	
8½% debenture, at cost	
Investment in joint venture and land held for resale, at cost (note 6)	
Deferred exploration expenditures	
Fixed assets, at cost less accumulated depreciation (note 7)	
Mining properties and rights, at cost, acquired prior to 1940 and substantially paid for by the issue of shares in the capital stock of the company (note 8)	
Oil and gas leases, royalties, rights, development and equipment thereon at written down values (note 9)	

LIABILITIES

Current liabilities:

Bank advances, secured (note 10)	
Accounts payable and accrued expenses	
Income and other taxes payable (note 11)	
Long-term debt due within one year (note 12)	
Deposits received re sales of land (note 6)	
Total current liabilities	
Long-term debt (note 12)	
Capital stock (note 13):	
Authorized — 5,000,000 shares of no par value	
Issued and fully paid — 4,300,000 shares (1971 — 3,500,000)	
Retained earnings	
Contingent liabilities (note 5)	

See accompanying notes to consolidated financial statements

UNITED SISCOE MINES LIMITED AND SUBSIDIARY COMPANIES

1972	1971
169,753	306,135
74,725	54,722
504,090	948,203
10,000	71,018
40,000	—
682,404	31,503
6,424	6,557
1,487,396	1,418,138
—	940,193
1,385,194	—
3,424,809	2,527,604
1,000,000	1,000,000
4,424,809	3,527,604
5,818,932	7,031,600
758,718	759,594
103,875	218,591
3,797,390	3,797,390
106,622	109,311
7,882,936	17,802,421
1972	1971
1,613,231	2,180,720
290,900	285,320
96,568	97,370
354,205	354,205
10,000	45,000
2,364,904	2,962,615
3,335,709	3,922,498
3,517,352	7,517,352
3,664,971	3,399,956
7,882,936	17,802,421

PEAT, MARWICK, MITCHELL & CO.

CHARTERED ACCOUNTANTS

Commerce Court West

P.O. Box 31, Commerce Court Postal Station

Toronto, Ontario

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of United Siscoe Mines Limited and subsidiary companies as of December 31, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to the favourable results of the planned re-examination of the mining properties referred to in note 8 and to the favourable outcome of the matters relating to the debenture of Chesbar Resources Inc. and the guarantees given in respect of certain indebtedness of that company all as outlined in note 5, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the consolidated affairs of the company and its subsidiary companies at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario

May 28, 1973

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants.

On behalf of the Board:

"R. E. FASKEN", Director.

"G. T. SMITH", Director.

UNITED SISCOE MINES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1972

with comparative figures for 1971

	1972	1971
Operating income:		
Mining income	\$ 1,466,975	1,441,872
Less:		
Mine operating expenses	851,513	1,174,329
Depreciation (note 7)	41,949	77,489
	893,462	1,251,818
Net mining income	573,513	190,054
Oil and gas income	95,430	110,382
Less:		
Petroleum and natural gas lease rentals and other costs ..	4,093	5,744
Depreciation and depletion (note 9)	4,692	5,005
	8,785	10,749
Net oil and gas income	86,645	99,633
Real estate income	2,155,017	—
Less:		
Cost of land sold (note 6)	1,758,663	—
Net real estate income	396,354	—
Net operating income	1,056,512	289,687
Other income:		
Investment income	92,984	48,464
Gain on investments, net	94,160	—
Gain on sale of fixed assets	19,600	—
Interest	133,890	158,838
Other	1,850	11,681
	342,484	218,983
	1,398,996	508,670
Other expenses:		
Loss on investments, net, including \$2,396,181 written off in respect of Chesbar Iron Powder Limited (note 5)	—	2,400,659
Advances to Chesbar Iron Powder Limited written off (note 5) ..	—	656,312
Administrative and general expenses	353,883	350,287
Interest — net of amounts capitalized	91,014	99,653
Outside exploration	108,820	170,322
Deferred exploration expenditures written off	414,555	—
	968,272	3,677,233
Income (loss) before income taxes and extraordinary items, carried forward	\$ 430,724	(3,168,563)

CONSOLIDATED STATEMENT OF INCOME—Continued
YEAR ENDED DECEMBER 31, 1972
with comparative figures for 1971

	1972	1971
Income (loss) before income taxes and extraordinary items, brought forward	\$ 430,724	(3,168,563)
Taxes on income	345,000	(141,000)
Income (loss) before extraordinary items	85,724	(3,027,563)
Extraordinary items:		
Provision for loss on discontinuance of mining operations (note 3), net of income taxes of \$70,000	(73,709)	—
Reduction of income taxes by the application of prior years' losses (note 14)	253,000	—
	179,291	—
Net income (loss) for the year	\$ 265,015	(3,027,563)
Earnings (loss) per share:		
Income (loss) before extraordinary items	\$.02	(1.04)
Net income (loss) for the year	\$.07	(1.04)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1972
with comparative figures for 1971

	1972	1971
Balance at beginning of year	\$ 3,399,956	6,738,223
Net income (loss) for the year	265,015	(3,027,563)
	3,664,971	3,710,660
Deduct:		
Dividends	—	175,000
Expenses related to issue of capital stock	—	135,704
	—	310,704
Balance at end of year	\$ 3,664,971	3,399,956

See accompanying notes to consolidated financial statements.

UNITED SISCOE MINES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1972

with comparative figures for 1971

	1972	1971
Working capital deficiency at beginning of year	\$ 1,544,477	874,207
Funds provided:		
From operations:		
Net income for the year	265,015	—
Adjustment for non-working capital items:		
Depreciation and depletion (notes 7 and 9)	54,577	—
Cost of land sold (note 6)	1,758,663	—
Mortgages and accounts receivable taken back on land sales	(1,385,194)	—
Gain on investments, net	(94,160)	—
Gain on sale of fixed assets	(19,600)	—
Deferred exploration expenses written off	414,555	—
Write down of mine fixed assets to estimated realizable value (note 3)	20,233	—
Funds provided from operations	1,014,089	—
Mortgage receivable	682,404	34,637
Fixed assets and oil and gas properties, net of additions	62,195	—
Proceeds of issue of capital stock (net of commission and related expenses in 1971) (note 13)	1,000,000	2,381,648
Total funds provided	2,758,688	2,416,285
Funds used:		
In operations:		
Net loss for the year	—	3,027,563
Adjustment for non-working capital items:		
Depreciation and depletion (notes 7 and 9)	—	(82,494)
Loss on investments, net	—	(2,400,659)
Decrease in deferred income taxes	—	153,000
Funds used in operations	—	697,410
Investment in other companies, net of disposals	545,256	1,032,430
Investment in joint venture and land held for resale (note 6)	545,995	431,129
Deferred exploration expenditures	413,679	388,053
Fixed assets, net of disposals	—	8,638
Long-term debt (note 12)	586,789	353,895
Dividends	—	175,000
Total funds used	2,091,719	3,086,555
Increase (decrease) in working capital deficiency	(666,969)	670,270
Working capital deficiency at end of year	\$ 877,508	1,544,477

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1972

1. These consolidated financial statements include the accounts of the company and its subsidiary companies, Siscoe Metals of Ontario Limited, Siscalta Oils Limited and Siskon de Honduras S. de R. L., after elimination of all material inter-company transactions and balances.
2. Silver concentrates are included in the balance sheet at estimated realizable values, based on prices prevailing, or expected to prevail, on the dates of settlement with the smelters, less estimated refining and marketing charges.
3. In November, 1972, Siscoe Metals of Ontario Limited closed its silver mine located at Gowganda, Ontario. All of the assets remaining at the mine are expected to be sold in 1973. All known costs incurred or expected to be incurred relating to the closing have been reflected in these financial statements.
4. The investment in companies other than Geothermal-Kinetics Systems Corporation is included in these accounts at a value which approximates the lower of:
 - (i) Cost, and
 - (ii) Quoted market (determined by reference to quoted market values in the case of shares listed on recognized stock exchanges and estimated realizable values in the case of other investments).

In 1972, the company acquired 1,027,250 of the issued shares of Geothermal-Kinetics Systems Corporation, representing 37.5% of the issued shares of that company, at a cost of \$1,036,818. This investment is included in these accounts at cost.

The primary activity of Geothermal-Kinetics is geothermal resource exploration and development, particularly with respect to geothermal steam for use in the generation of electrical power. Geothermal-Kinetics is in the exploration stage. Drilling commenced in January 1973. Geothermal-Kinetics will not receive revenue from the sale of steam until an electric generating plant is constructed on properties researched and held or contracted to another developer. At this time, Geothermal-Kinetics cannot estimate at what date its initial steam purchase payments may be realized.

The company has options to acquire 800,000 treasury shares of Geothermal-Kinetics at prices ranging from \$2.00 (U.S.) to \$10.00 (U.S.) at various dates up to and including June 30, 1976. The company has also entered into agreements to acquire 400,000 shares of Geothermal-Kinetics from other shareholders of Geothermal-Kinetics at prices ranging from \$.50 (U.S.) to \$2.20 (U.S.). In January and March 1973 the company acquired 300,000 shares under the option agreements referred to above and all of the 400,000 shares from the other shareholders of Geothermal-Kinetics referred to above at a total cost of \$1,195,746.

Pursuant to an agreement made in October 1972, between the company and Chesbar Resources Inc. (formerly Chesbar Iron Powder Limited), the company granted Chesbar an option to acquire 256,812 fully paid shares of Geothermal-Kinetics on or before June 30, 1973 for \$262,858. Provided Chesbar shall have purchased these shares of Geothermal-Kinetics then Chesbar shall have the right to require the company to authorize direct issue of up to 200,000 of the shares of Geothermal-Kinetics optioned to the company as referred to above and to require the company to authorize transfer of up to 25,000 of the shares which the company has agreed to acquire from the other shareholders of Geothermal-Kinetics also as referred to above. These shares may be purchased by Chesbar at the same prices at which the company can purchase them.

5. Late in 1971, Chesbar Resources Inc. (formerly Chesbar Iron Powder Limited), a company in which the company has a substantial investment, discontinued operations at its iron mine and iron pellet reduction plant. In May 1972 a proposal made by Chesbar under the Bankruptcy Act was

UNITED SISCOE MINES LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

accepted by Chesbar's creditors whereby all but one of the preferred creditors were paid in full and all unsecured creditors (except United Siscoe Mines) received 25 cents for every \$1 owing to them in full settlement of their claims.

In the circumstances, the company wrote off in 1971 the cost of its investment in shares and warrants of Chesbar and of its unsecured cash advances to Chesbar. Under the terms of an agreement dated December 15, 1972, the company has agreed to accept fully paid shares of Chesbar as repayment of these cash advances. These shares are to be issued to the company in 1973.

A debenture of Chesbar having a face value of \$1,200,000 continues to be carried at cost; such debenture is secured by a first mortgage on Chesbar's fixed assets, by shares of Mymar Mining & Reduction Limited owned by Chesbar and representing 37% of the issued capital of Mymar and by a first floating charge on the undertaking and all other property and assets of Chesbar. Certain of Chesbar's fixed assets securing such debenture are subject to a lease expiring December 31, 1975 with an option to renew for one year. Chesbar has also granted the lessee an option to purchase these fixed assets and, if such option is exercised, it is anticipated that there will be assets available in Chesbar to repay the debenture and all liabilities which United Siscoe Mines may be called upon to discharge because of its various guarantees.

No interest on the debenture has been received since July 31, 1971 and in view of the circumstances set out above, no accrual has been made by the company in its accounts in respect of interest due since that date.

The company has guaranteed bank advances to Chesbar which amounted to approximately \$162,000 at December 31, 1972. Short-term deposits of a similar amount have been pledged by the company to the bankers of Chesbar in support of such guarantee. In addition, the company has guaranteed payment of another liability of approximately \$237,000 incurred by Chesbar.

In April 1973 Chesbar offered to its shareholders rights to subscribe for additional shares of Chesbar at the price of \$2.00 per share on the basis of one new share for every four shares held. Under the terms of an agreement with Chesbar dated March 9, 1973, the company has agreed to subscribe for such number of the shares so offered to Chesbar's shareholders for subscription and not subscribed by them as will ensure that Chesbar receives not less than \$600,000.

In addition, the company has an option to purchase 456,000 additional shares of Chesbar at a price of \$2.00 per share exercisable at any time prior to August 14, 1979.

6. The investment of Siscoe Metals of Ontario Limited in joint venture and land held for resale is comprised of the following:

	1972	1971
Property invested in joint venture:		
Land, at cost	\$3,955,298	3,955,298
Carrying costs	1,406,602	1,126,818
	<u>5,361,900</u>	<u>5,082,116</u>
Land under development:		
Land, at cost	327,494	1,608,106
Carrying costs	92,027	325,527
Development costs	37,511	15,851
	<u>457,032</u>	<u>1,949,484</u>
	<u>\$5,818,932</u>	<u>7,031,600</u>

Carrying costs, which include real estate taxes and interest on debt relating to land are capitalized and are amortized over sales on an acreage basis, and are summarized as follows:

	Land under development		Property invested in joint venture	
	1972	1971	1972	1971
Balance at beginning of year	\$ 325,527	215,851	1,126,818	820,831
Capitalized in year	97,860	109,676	279,784	305,987
	<u>423,387</u>	<u>325,527</u>	<u>1,406,602</u>	<u>1,126,818</u>
Transferred to cost of sales	331,360	—	—	—
Balance at end of year	<u>\$ 92,027</u>	<u>325,527</u>	<u>1,406,602</u>	<u>1,126,818</u>

Development costs are amortized over sales on an acreage basis.

Contracts have been entered into in 1972 for sales of additional portions of the land under development. These sales are to be completed in 1973 and, accordingly, the deposits received with these contracts have been included in these financial statements as current liabilities pending completion of the sales.

In 1969 Siscoe Metals entered into a joint venture agreement with The Orlando Realty Corporation Limited under the terms of which Orlando is to assist Siscoe Metals in the development and sale of the property contributed to the joint venture and carried in the accounts of Siscoe Metals at a cost of \$5,361,900. Orlando's contribution to the joint venture is to be the costs of development and subdivision of the property.

Under the terms of this agreement, proceeds from sale of such property are to be used as follows:

- (a) To reimburse Orlando for the cost of developing and subdividing such property;
- (b) To reimburse Siscoe Metals for the property contributed;
- (c) To pay interest to Siscoe Metals and to Orlando on the value of their respective contributions to the joint venture; and
- (d) As distribution of net profit from sale of the property. Of this, Siscoe Metals is to receive 50%.

7. Fixed assets, at cost less accumulated depreciation:

	1972	1971
Mine buildings, plant and equipment (note 3)	\$ —	1,137,085
Less accumulated depreciation	—	1,053,874
	<u>—</u>	<u>83,211</u>
Leasehold improvements and other equipment	101,030	106,022
Less accumulated depreciation and amortization	52,339	44,290
	<u>48,691</u>	<u>61,732</u>
Aircraft	164,027	164,027
Less accumulated depreciation	113,208	96,269
	<u>50,819</u>	<u>67,758</u>
	<u>99,510</u>	<u>212,701</u>
Land	4,365	5,890
	<u>\$ 103,875</u>	<u>218,591</u>

As in prior years, depreciation has been provided on the mine buildings, plant and equipment at the rate of 30%, on other equipment at the rate of 20% and on the aircraft at the rate of 25%, all applied on the reducing balance method. Leasehold improvements are being amortized on a straight-line basis over a period ending in 1979.

8. Mining properties and rights acquired prior to 1940 at a cost of \$3,797,390 were substantially paid for by the issue of shares in the capital stock of the company. Such mining properties and rights are located in Vassan and Dubuison Townships in northwestern Quebec; the fees necessary to protect the company's mining interest in such properties have been paid. The directors of the company have approved a resolution authorizing the expenditure of \$100,000 before March 31,

UNITED SISCOE MINES LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

1974 in a program to re-examine the properties with a view to recommencing mining operations. If the re-examination indicates that further mining would not be economic the properties will be abandoned and the cost written off.

9. Provision for depreciation and depletion of the oil and gas leases, royalties, rights, development and equipment thereon has been made in the accounts, as in prior years, on the basis of production during the year as a percentage of total estimated reserves based on estimates of reserves made by an independent firm of geological and exploration consultants of Calgary, Alberta as of May 1, 1968.
10. Bank advances are secured by the deposit, with the banks, of certain of the investments owned by the companies, by assignment of the accounts receivable and inventory of silver concentrates of Siscoe Metals of Ontario Limited together with mortgage security on certain non-mining properties, referred to in note 6 and assignment of certain amounts due from sales of land.
11. Siscoe Metals of Ontario Limited has received assessments from the taxation authorities which disallowed that company's claim for "new mine status" for the Lower Bonsall Mine resulting in additional income taxes for 1967 and 1968. In 1970, Siscoe Metals recorded in its accounts a liability of \$80,000 for the income taxes which may be payable as a result of these assessments.

Siscoe Metals filed Notices of Objection to these assessments with the taxation authorities in 1971. United Siscoe Mines Limited has loaned certain of its investments to Siscoe Metals which have been deposited with the taxation authorities as guarantee of the future payment of the taxes due in the event that Siscoe Metals is not successful in contesting such assessments.

12. Siscoe Metals of Ontario Limited had incurred long-term debt as follows:

	1972	1971
8% promissory note, repayable 1973 — 1981	\$2,312,393	2,592,682
This note is secured by a first mortgage.		
8% second mortgage, repayable 1973 — 1981	610,521	684,021
7% first mortgage, repayable 1979	767,000	1,000,000
	3,689,914	4,276,703
Less amounts due within one year	354,205	354,205
	<u>\$3,335,709</u>	<u>3,922,498</u>

The mortgages are secured by charges against land included in the investment in joint venture and land held for resale (note 6).

Principal repayments due in respect of the above obligations in each of the five years from 1974 are approximately \$354,000.

13. In 1972, 800,000 shares were issued for cash consideration of \$1,000,000. In February 1973, 200,000 additional shares were issued for cash consideration of \$1,040,000, net of agents' commission.
In 1971, stock options to purchase a total of 165,000 shares of the company at a price of \$2.60 were granted to certain employees. The deadline by which these options were to be exercised was extended in 1972 from December 31, 1972 to December 31, 1973. At December 31, 1972 no options had been exercised.
14. United Siscoe Mines Limited and a subsidiary company have accumulated tax losses which may be available for deduction from taxable income of future years.
15. The aggregate direct remuneration paid in 1972 to directors and the five senior officers of the company was \$154,950 (1971 — \$150,900).
16. In January 1973 the company entered into a future contract to purchase 1,000,000 ounces of silver for delivery in July 1973. The purchase price of the silver was \$2.09 per ounce, against which the company has paid \$200,000.

